

**COMMITTEE ON ACCOUNTS, ENROLLMENT
AND REVENUE ADMINISTRATION**

May 21, 2002

4:00 PM

Chairman Shea called the meeting to order.

The Clerk called the roll.

Present: Aldermen Shea, Smith, Thibault, Lopez
Alderman Guinta (arrived late)
Alderman Gatsas

Messrs.: R. Sherman, K. Clougherty, S. Wickens, D. Robinson,
T. Arnold, J. Shaffer

Chairman Shea addressed item 3 of the agenda:

Communication from Mr. Clougherty, Finance Officer, submitting
a listing of cellular telephone and pager usage by department as of
March 26, 2002.

On motion of Alderman Lopez, duly seconded by Alderman Smith, it was voted to
accept the report.

Chairman Shea addressed item 4 of the agenda:

Communication from Guy Beloin, Financial Analyst II, submitting monthly
Financial Statements for the ten months ended April 30, 2002.

Deputy Clerk Piecuch asked Mr. Sherman is that also the handout that was given
out. She would like to note there is a handout on each of the Aldermen's
workstations regarding the CIP Federal and State Revenue Report for the month

Alderman Lopez moved for discussion, Alderman Thibault duly seconded the
motion.

Alderman Lopez asked where do we look for the shortfall for the revenue?

Mr. Sherman replied go to the last page of that report. It is almost a full page. If you look in the bottom right-hand corner where it says there is a 2.6% increase over last year's numbers. You actually budget about a 6% increase so we are still running short. There are significant numbers of State and Federal dollars out there that we know are coming in. There are still a lot of chargebacks out that have to be billed. We have the issue of the quarterly cable franchise fee that came in a month late. These numbers we still think that our projections will still be in that \$700,000 shortfall range. We were in front of the board several weeks back with the revenue discussion. We still think those numbers are where we are going to be.

Alderman Smith asked are your projections for next month...you do not see any increase in revenues where we can get the \$700,000 down?

Mr. Sherman replied if you remember the night that we discussed revenues one third of your revenues...non-tax come from auto registration. We are only budgeting maybe close to \$2 million over the last two months for auto registration. So to pick up \$700,000 out of that is just not going to happen.

Alderman Smith asked so we have no Pandora's box out there?

Mr. Sherman replied no I do not see anything big out there, the State and Federal are set. We know exactly what those dollars are. We have talked about School and the departments on chargebacks. You are not going to see anything else coming from School they do not even have enough money to meet the chargeback money. Unless there are some large building projects coming in with permits and those types of things, to come up with \$700,000 in two months, I just do not see that happening.

Mr. Clougherty stated you are ahead of last year, behind the budget projection. Again, the things that are hurting us are interest income because of the recession and where rates are. When we did the budgets last time around we were at over 4% and know you are lucky if you are around 2%. The other thing is parking revenues.

Mr. Sherman replied there are some events over at Verizon but there is nothing that is going to bring in that kind of money. A lot of the concerts are in July and August.

Alderman Smith asked Mr. Clougherty we have not used the \$500,000 that we allocated to the Welfare Department. We allocated \$1 million and we haven't used \$500,000 of that as of right know?....am I correct?

Mr. Sherman replied that is correct we have made two \$250,000 transfers. If you flip back a couple of pages it actually shows that they are about \$250,000 in the hole right now which means at the next Board meeting send another \$250,000. Then the question will be how much of that last \$250,000 will they need.

Mr. Clougherty replied that also out of that \$1 million we had \$60,000 for the Special Election that nobody anticipated for the Executive Council. If we can come out of contingency with \$100,000 on the expense side that would be great.

Alderman Smith asked in the Highway Department we know that we are going to have a surplus, do you know what that is going to be from the snow and ice account?

Mr. Clougherty replied that ordinarily Mr. Thomas tries to reprogram that money to do some resurfacing and other projects. I have not talked to him about that to see what changes he is going to make for this year.

Alderman Lopez asked could you talk about the quarterly report a little bit? I think the most important thing and I do not now if whether Finance would do that or if we should refer it to CIP. In following up on that since they are CIP projects the money that they have left over in the accounts. Do you coordinate with Planning or anything along that line as to where they are spending that money and what we can do to get a notation as to why or follow up contracts or anything like that?

Mr. Sherman replied we had a meeting with Planning on Monday morning. We went through all of these balances and all of these projects. A lot of them are expiring at the end of June and we are trying to figure out which ones we need to extend and which ones we can closeout, and which ones we can transfer balances. We went through every one of these projects yesterday. I would expect that the CIP meeting in June you should see something from Planning.

Mr. Clougherty replied we try not to get into the policy of saying where the dollars should be spent. We try to tell you where the balances are and that they are accurate. The CIP process with Planning is where you decide where you want to use those dollars.

Alderman Thibault asked could you tell us what your feelings are on that? Are we in the ballpark here with some of these accounts?

Mr. Clougherty replied that I think that the regular meetings and looking over these things works. It gives you information that you need. What we are up against is at the end of the year we do not want to have one of these projects that you or some other Alderman is counting on get closed out. If there is not an official action by the Board in a timely manner we would have to close it out under the accounting rule. That is why we go through this process to make sure that anything that should be continued is. Also, we are interested for bond purposes looking over our shoulder for arbitration to make sure that the balances are spent. If anything we try to expedite some of these projects. We do not want to see them languishing around. We would rather see them allocated for something else and go from there.

Alderman Thibault asked what is your feeling at this point, and where are we at with Planning?

Mr. Clougherty replied there are a number of projects that can be closed that have been sitting around and idle. If it is a grant project it does not matter. They can reprogram some of the grants CDBG type grant. Obviously if it is a Police grant, it is closed and they can't spend it, the money just goes away and you never get it. There are bond projects, cash projects, CDBG projects and a lot of them can be closed. When we meet with planning yesterday they were surprised that some projects have not been spent on yet. I think that there are some dollars there that can be reprogrammed.

Mr. Sherman replied that when we say closed we mean reallocated.

Alderman Lopez asked I have a major problem and I do not know how to address it. Maybe you people can tell me. When is the sunset so to speak of something like 1997, 1996 bonding and people haven't used this money? Once you get the money and you say you are going to do a project and I have noticed being on CIP you go along and along. We can't do that knowing we are going to do this project. Every year you change in mid-stream almost like having a slush fund, which I say very loosely.....that's what it amounts to.

Mr. Clougherty replied I don't disagree and that is what I just said, that we would like to see them reprogrammed.

Alderman Lopez asked could you as the Finance Officer address that at a department head level and through Bob MacKenzie and I will address it through CIP and get some reports and some advice. We could ask Bob MacKenzie for advice and say they are not using that money over there and we need it here.

Mr. Clougherty replied that is really why we put the report out. The second thing on some of those balances we have to be careful that there are some projects that maybe in lidagations for example or there may be a reason why it is there for a couple of years like a retainer issue. We rely on the CIP staff to make sure that we do not close something out where we need to make that money available because something along those lines. But barring that we think the money should be reprogrammed.

Alderman Lopez stated you have both been involved with the HTE and computers, and we have a lot of money over there. It seems there is no end as to what you need in the computer field. I do not know who the advisers are, I know some and they are not computer experts. So how would you address this to make sure what we need for City operations for computers is what we are getting and we are not going to have to change in mid stream? Who advises on the HTE...we got \$456,000 in 1998 if I recollect here upgrade. We have some money from that virus or whatever they had. Who advises that we should do what?

Mr. Clougherty replied there is the department heads that is your primary contact. There is a Systems Advisory group that she reports to that is made up of department heads that talk about what the evolution of the system should look like and to try to help prioritize in that regard and then there is the actual CIP process where she has to come in and defend the projects. Our role in this is if we have credibility with you it's because we're giving you good numbers you can believe in. If we start to try to say we feel about this way about that project...all of a sudden our objectivity gets tainted so we feel that the most important service we do is to give you the numbers, show you what the balances are and show you that then you can make some policy decisions on them. Because they are an independent department we don't go back to try and say hey Frank this is how we think you should spend your Highway money or Diane we think this is how...we come to you and say this is what you have for a balance and this is what it can be used for and then you have to take a look along with CIP at all those issues and make that money efficient.

Alderman Lopez asked do the department heads determine what they want or does Info Systems determine what they get?

Mr. Clougherty replied I think it's more that Info Systems comes up with although there is an opportunity for all of the departments to give their recommendations. Obviously, there's not enough resources to do everything that needs to be done and that's not just in terms of capital dollars, it's kind of like if you gave Highway

a billion dollars, that's great, but they couldn't possibly program it all for street reconstruction given their staff in a year, you have to realize what the capacity of the staff is and take that into consideration.

Alderman Thibault stated Alderman Lopez brings up a good point but I just want to tell him, in my opinion, that this is the last straw, Mike, this is where you're going to get the answer. If a department does not spend the money that was allocated these are the guys that keep track of it, so this is where you're going to get your answer and that's a good point though of what you brought up because sometime it could get lost in the shuffle, but these guys keep track of that and I admire them for that. The one thing I've got to say, Mike, if a department in your opinion does not spend money that has been allocated, I think you ought to go to that department and find out why they haven't spent it. But, they will tell you the answer as to how much money is in the account. I hope that clears that up.

Alderman Lopez stated I understand that.

Alderman Smith moved to accept the monthly financial statements for the ten months ended April 30, 2002. Alderman Thibault duly seconded the motion. There being none opposed, the motion carried.

Chairman Shea addressed item 5 of the agenda:

5. Communication from Sharon Wickens, Financial Analyst II, submitting reports as follows:
 - a) department legend;
 - b) open invoice report over 90 days by fund;
 - c) open invoice report (all invoices for interdepartmental billings only);
 - d) open invoice report (all invoices due from the School Dept. only); and
 - e) listing of invoices submitted to City Solicitor for legal determination.

On motion of Alderman Lopez, duly seconded by Alderman Smith, it was voted to move for discussion.

Alderman Smith in reference to item 5(b) stated I imagine Riverfront Park Foundation is no more, is that correct.

Ms. Wickens replied that still exists.

Alderman Smith stated the aging control is over 90 days according to this report and it's quite a sum of money.

Ms. Wickens replied this is the debt service that they owe us. We talked about this at the last meeting, they're always late consistently one year behind in paying us.

Alderman Smith asked why can't we establish some type of payment. I get a bill and I have to pay it next month or else I get an increase in my interest rate on my non-payment, I think this should be paid within a certain time, 90 days is three months.

Mr. Clougherty replied the way it works is that the original idea for Riverfront Park was that the City would issue the bonds which we did and that the Park Foundation would reimburse the City for the debt service and originally the thought was that their operation would be sufficient to cover all of the debt service in a year. They went out, they did their naming rights and what happens is they get their money from their primary sponsor which is Merchant Motors at the end of the year rather than the beginning of the year, so every June we get \$50,000 from them. Now, is that enough to retire all of the debt...usually they're about \$5,000 short and then that plus the next year's payment carries until the following June when they pay and it goes down. Now, eventually in time that \$50,000... because with debt service each year you're buying down, so eventually four years out, I think, the \$50,000 will be enough to cover the debt service and then in subsequent years it will be more. But, it's a general obligation for the City, we did issue the debt, they are on a fixed schedule, they know what the debt service is and they pay it down as their revenues are available. Now, if they are more successful in a particular year then certainly they can contribute more to make themselves whole. As a practical matter, I think we all know that they haven't been in a situation to advance additional cash...the concerts were not as successful as they thought and at some point maybe that changes and maybe they can retire the debt earlier, we'd encourage that.

Alderman Smith stated a very good answer but it still doesn't resolve my situation...I'd also like to pick on...

Mr. Clougherty interjected no it doesn't, Alderman, I'm just trying to tell you the history of it.

Alderman Smith in reference to the School Administration under 5(b)...we have engineering labor, McLaughlin labor, construction material and that is quite a sum of money and it's over 90 days due.

Ms. Wickens stated School is pretty consistently 60 to 90 days before they make payments, they're just a little bit behind and I know you had mentioned at the last meeting that sometimes when they make their payments they kind of leave straggling balances out there. One of them you had cited was for \$147,000...School Athletics...I did find out an answer on that if you want me to go into it, but they do make these little errors when they're paying bills and that's why we have the annoying little straggling balances left.

Alderman Smith asked do you get cooperation from the School Department?

Ms. Wickens replied I do, they're doing the best they can...they have procedures that they have to follow where they send the invoices in front of their committee and then they have to be approved, so there's like a little bit of a time frame there, but when I do call for something they are cooperative, yes.

Mr. Clougherty stated to be honest, Alderman, they're financially in terrible shape and it's partly self-inflicted, but they have a huge deficit, they have cash problems...their computer system wasn't giving them information at the beginning of the year, they had a \$700,000 problem with benefits, so for us to ask for this money...they've tried to pay their payroll and other things first. We understand that.

Alderman Thibault stated, Kevin, I don't think this pertains just to you but I look at Pyramid Entertainment who owes the City so much money and I brought this up before in committee that, in fact, the City should devise a system that is somebody comes into the City and starts a business and doesn't pay their bills they should never be able to start another company in this City. Now, you look at Pyramid Entertainment, which I am sure is in Ward 10...

Ms. Wickens stated I did ask Police to come here today mainly because Alderman Guinta had mentioned that there were a lot of pages of those little annoying dollar reports just for them to clarify that.

Deputy Chief Robinson stated if I can start, Alderman, this is my fourth time I've been in front of this Committee on the Pyramid. I don't know why the Pyramid is still in here, I don't even understand that and that's number one because I have answered and I'll be happy to answer it again and any time you call me down I'll be happy to answer it. Second of all, they don't owe the City any money; that's

extra detail...the extra detail fund is the one that takes the hit. Everything you see there on details...when an officer is working a detail on the street, there are no City funds used, the officers are on their hourly rates and it takes care of their retirement, takes care of worker's comp and it takes care of paying the officer plus there's an administrative fee that takes care of the fees to pay for the clerk and to pay for running the fund. Also, what they do is once or twice maybe every two or three years the officer's start kicking in an extra dollar to what we call a revolving fund. The revolving fund builds up so much and they get paid from the revolving fund. So, unless someone wants to tell me different I know that it's in the contract and that there are no City funds that go towards extra detail. Extra detail pays for themselves and I'd like to tell you that with the Pyramid what we've done since that happened and that's several years ago, all the clubs pay cash up front. When a company comes in that we haven't dealt with, they pay cash up front. I have a gentlemen that we took to court not long ago for the place called The Jail...he owed the City several thousand dollars, we took him to court and unfortunately we lost. He went to Florida, he's opened up another business and he pays cash up front. So, we have changed our ways quite a bit when it comes to the Pyramid. On the other bills that you have here I would like to point out that I did go through each one of them and I can certainly answer any questions on any of them, but what I would like to say if you would let me flip to that page one second, please... the other two sections: one is Traffic Reports and that's insurance companies and what we have owed us is over 60 days is \$60.00, I don't think that's too bad when you consider the amount of traffic reports we do. The second subject is records and that deals with different types of records reports or incidents reports and what we have over 90 is \$135.00. We really have changed our ways over the last few years of making sure we stay on top of this. Almost each one of these that's over, I can tell you why it's over and what conversations we've had and I would tell you that four or five of these were paid last week. We have constant calls, we stay on top of these people, we're constantly calling them to make sure that the City, in fact, gets paid.

Alderman Thibault asked in your opinion should we just wash these things away from here?

Deputy Chief Robinson replied I think everybody in the City was happy to get rid of the Pyramid; that was a real major problem for us, I know that I worked with Alderman Cashin on that, I put together a very thick report that went to the Liquor Commission, we were the first ones in the State to use a brand new law, we went after their liquor license, we got it, they went back to Massachusetts.

Alderman Thibault stated you've been paid.

Deputy Chief Robinson stated when people don't pay we turn it over to the City Solicitor's Office and we turn it over to collection. Collection tries to go after them and get whatever they can...it's a regular collection agency. So, anyone that goes beyond a certain date we automatically turn it over to collection and go after them. One of the clubs, as I told you, I know that Tom Arnold worked with me and we went all the way through the court system and we lost. They ruled against us that the corporation didn't have to pay us. So, we do all that we legally can...am I wording it correctly or am I wording it incorrectly?

Deputy City Solicitor Arnold replied slightly incorrectly. We won in court, but the corporation that we won against was assetless and we couldn't collect. The Pyramid club, I think, we've had a number of discussions on. It's a corporation that is now defunct, the corporation to begin with when they closed was assetless because they leased...the equipment had financing statements on it that was ahead of us and I can say we're never going to get our money.

Alderman Thibault asked is there a tracking system that the City an institute that if these people ever come back to the City of Manchester to try to start a business that they cannot.

Deputy City Solicitor Arnold replied we have had discussions on that, yes there was a policy with respect to where the Police Department put together probably about a year and a half ago now that that's been followed. You'll see that there's a revenue policy attached to tonight's agenda on a later item, but given the constraints we're working with with HTE, I believe that Finance is working towards trying to set up a system so that different departments will know when someone has an outstanding bill and can act appropriately.

Alderman Lopez stated I understand what the Deputy said but the detail officers do get paid, right.

Deputy Chief Robinson replied they get paid the week after they do their work which is Labor law.

Alderman Lopez asked how does that fit in to what we have here, Joanne, so we never get the money back...

Ms. Shaffer replied generally speaking whatever money is paid out is supposed to be collected through the billings that they are doing. So, if they do not collect those monies from those sources, for example, Pyramid, etc....that means technically, they are short because this is not charged against their budget per se.

Deputy Chief Robinson stated it's charged to a revolving fund which when the revolving fund gets down that is when the officers start kicking in the extra dollar and that revolving fund is like a roller coaster it goes up and down depending on what the weekly payroll is out. It is my understanding that the money that's paid to the officers working detail comes out of the revolving fund which has been built up by the officers paying an extra dollar an hour into it over different periods of time that we've instituted it because one of the agreements that we have in the contracts is that no City funds will be paid for extra details and to the best of my knowledge that is the way it works. So, it's the revolving fund that takes the hit. When someone doesn't pay and we have money owed that is how the revolving fund goes down and when it gets down to a certain level we go back to the unions and we did this two years ago and we say we need to institute the revolving fund again and for one year each union agreed for every hour an officer worked they kicked a dollar into the revolving fund and that meant that the officer working the detail got one less dollar an hour; that builds that revolving fund back up and that's how we pay our people.

Ms. Shaffer stated what he is saying is true and I'm not sure exactly what the outstanding balance is of that account at this point.

Alderman Lopez stated then he is right...we shouldn't even have this on here.

Ms. Shaffer replied yes, we should because it's still money that is due the City for services rendered and for money which the City has sent out in advance of usually the collection of these types of fees.

Alderman Lopez asked if we did collect that money would that go back into the revolving fund.

Ms. Shaffer replied yes.

Alderman Lopez stated maybe we should have a separate page for Police Department.

Deputy Chief Robinson stated it's incumbent upon Finance as well as us to keep track of it, but again it is not City funds per se.

Ms. Shaffer stated we do have an accounting of that, I am not sure if it is broken down specifically in the account presentation that has been made here.

Alderman Lopez stated just looking at it...

Ms. Wickens stated anything under type code 34 would be considered extra detail.

Ms. Shaffer stated it's all incorporated within the Police budget per se.

Alderman Lopez stated we shouldn't even worry about it, is that what you're saying?

Ms. Shaffer replied you shouldn't. We'll work with Deputy Chief Robinson to make sure we collect whatever deficiencies there are and we can notify you of what that amount is.

Deputy Chief Robinson stated I can assure this Committee that we've worked real hard the last few years with not only the Finance Department but with the City Solicitor's Office to make sure that we have the proper procedures in place to collect the money on those types of things. For example, there's a couple of circuses that come in. We have them pay cash up front. All of the clubs now that have officers pay that evening. We're just not going to get caught like that again. We did get caught and we're not going to allow that to happen to us again.

Alderman Thibault asked where is this fund kept, this dollar per hour?

Deputy Chief Robinson replied the City maintains a fund through Finance.

Ms. Shaffer replied it's just part of the overall cash that the City collects.

Alderman Thibault stated so when the Police say that the unions are going to pay a dollar an hour more for a shortfall you handle that.

Ms. Shaffer replied correct. Technically, whoever needs to be paid whether or not the funds are available or the cash the City makes those payments because we have to honor the labor laws. It's kind of like revolving, replenishing and so forth. We will submit that along with the next write-off list then and that way we can...

Alderman Thibault stated I think it would be right that the Committee should know that these funds are being paid.

Ms. Shaffer stated okay so we can make those numbers whole by the end of this fiscal year.

Alderman Lopez stated on page 16, 52 which is Traffic (Permits) they have permits for parks or is that a mistake, what kind of permits are those?

Ms. Wickens replied those are parking permits for the garage mostly or parking lots.

Alderman Lopez stated so Outreach is not paying.

Ms. Wickens replied right.

Alderman Lopez stated we give them money from CIP.

Ms. Wickens stated it looks like they haven't been paying consistently.

Alderman Lopez stated maybe we could check on that.

Ms. Wickens stated that is not even in collection. I did send a bunch of them to the Traffic Department asking them to submit to the collection agency and for various reasons one of the girls was getting married and there was a little bit of a delay but I do expect a bunch to be coming.

Alderman Lopez stated the point I want to make is they do get CIP money and so we should check them out very good.

Ms. Wickens replied I'll check on that.

On motion of Alderman Lopez, duly seconded by Alderman Smith, it was voted to accept the reports as submitted.

Chairman Shea addressed item 6 of the agenda:

6. Communication from Sharon Wickens, Financial Analyst II, submitting a Collections Policy for review.

Alderman Thibault stated I think we have most of that now, don't we?

Alderman Lopez moved for discussion. Alderman Guinta duly seconded the motion.

Alderman Lopez in reference to the Collections Policy asked have we coordinated with all of the departments in reference to this complete policy to include Water Works and Airport?

Ms. Wickens replied actually I have not heard from Airport but you have seen this final draft before and Airport did say they were going to throw something in writing. Kevin may actually have something from them but I did talk with Tom Bowen of Water Works, they are going to write up something of what their collection avenues are. They're able to just shut the water off if it's not paid, so their collections are really good. But, he will put something in writing that maybe I can incorporate into this.

Alderman Lopez stated before I would vote on this I'd like to have something from the Airport, in writing, as to whether he disagrees with this or agrees with it.

Ms. Wickens stated I guess I just wanted Alderman Guinta to see that we were actively trying to do something, but I will contact the Airport and try to get something from Water for the next one.

Alderman Guinta stated thank you very much for the report, I appreciate it and it certainly clarifies, I think, some of the concerns that we have had regarding not only collections but the process and I briefly looked at it and I like what I see so far and wonder if it would make sense to table this at this point so we can give the Airport time to give us something in writing then we can take the entire package in one.

Alderman Guinta moved to table the Collections Policy. Alderman Thibault duly seconded the motion. There being none opposed, the motion carried.

Ms. Shaffer stated that was going to be my recommendation also and I think the point that Sharon was trying to make was that we brought this before the Committee on Accounts last year and because of the different feelings of the different department heads regarding the accounts that they administer there wasn't consensus on the fact that this should be applicable to all departments overall and that is kind of why we added in that last section (G), but specific departments do have other specific concerns that they would like addressed or taken under advisement in putting this policy or future approval together.

NEW BUSINESS

Mr. Sherman stated what you have in front of you is a report that has been put together by Health Claims Consulting (HCC) Group; that's the group that is auditing our health care payments. There's been a lot of discussion out there about what they've looked at, how much they've found and how much we've actually collected to date...what we did was we had them go back and try to identify the types of errors that they have found and then the total amount of errors

that they've reported on and the estimated overpayments is that third column in, if you look down at the bottom of that they've got that Health Claims Consulting has identified \$529,600.25 of estimated overpayments. Now, the next column over is only those items that Anthem has actually confirmed and agreed that there are overpayments on. As you can see that is only \$47,885.70. So, HCC still has a long way to go dealing with Anthem. The next column over HCC has come back and revisited those that Anthem has disputed and they've agreed that \$46,169.00 of the \$529,600.25...okay, they agree they're not overpayments. Anthem at this point is only disputing \$211,512.48 the rest of the items which comes down to almost \$225,000...they still haven't even given us a response back on yet whether they agree with them or don't agree with them. If you go over to the next to the last three columns there where the \$47,885.70 that Anthem has confirmed that they did make an overpayment on, we've actually only collected \$32,810.04 from them so far. HCC only get paid when we actually collect the dollars, so we're not out any cash in this process, but as you can see there is still some \$211,512.48 that they are rebutting, there's \$15,075.66 that they've agreed on that they haven't paid us yet and there is still another \$225,000 that we don't even have a response from them.

Alderman Gatsas asked are these for both City and School side or just City?

Mr. Sherman replied there is a period of time that does include School and I hate to push again to the second page but those are the review periods on page 2... School was included through I believe January of 2000 because they were still on our system, but once they had gone off on their own they are not included in any of these numbers.

Alderman Gatsas stated so you're saying that from January 2000 to December of 2000 that portion is not included.

Mr. Sherman stated it does not include School and any of the 2001 claims that they've reviewed is not included.

Alderman Gatsas stated or any of the 2000 claims.

Mr. Sherman stated or any of the 2001 claims. 2000 would include only January, I believe.

Alderman Gatsas stated so February of 2000 is not included for Schools. So, the only month that's included in this run for Schools is January of 2000, so the next eleven months...

Mr. Sherman interjected and anything from '98 and '99 as well for Schools.

Alderman Gatsas stated but I'm saying eleven months of 2000 is not included.

Mr. Sherman stated that's correct and all the nine months of 2001 that they've looked at. Now, I have talked to the School Department about coming into this current tract, they have said that they had somebody in looking at their health claims. I talked to School Board Member Gross about it and he said well that's a different kind of audit and he has shown some interest in getting them under this contract and obviously HCC says they'd be more than willing to do that, but we just haven't made the connection to get that authorized at this point. But, what the second page shows also is the error rate that they found, how many claims they've looked at...and, if you actually look at it the error rate...they had expected to find a 3% error rate and you can see we're well below that, so what it tells us is that Anthem actually does do a good job on this. Five hundred thousand dollars and this is obviously only on the error rate on what they've confirmed. What they've confirmed and what they've identified is almost ten times different, but even on those error rates if you increase it by ten times it's still much lower than they had anticipated that they would find.

Alderman Lopez asked how do we resolve this, who resolves the issue. We don't owe you this, you owe us this, what's the next step?

Mr. Sherman replied I think there has to be some intervention by the Aldermen to your health care provider, to Anthem. They've got to get the message from the top that you've got to get this resolves before we sign a contract going forward. Now, I don't know if you're going to go with Anthem going forward or if you're going with the Health Trust or some other provider, but these issues have to be resolved. If there's a half a million dollars out there and I can tell you that one item is \$200,000. I would think that you would want to get that resolves before you'd sign a contract to move it forward.

Alderman Lopez asked have you brought this to the attention of the HR Director?

Mr. Sherman replied yes, actually I was in one of the negotiating sessions for the upcoming period and I even brought up, not only up in the session, but talked to the representatives from Anthem afterwards and said you really need to get this cleared and that was two weeks ago and I haven't heard anything back from them.

Alderman Lopez asked at what point do we do something if they say no, we don't owe you this. What's the next step...do the Aldermen have to take them to court?

Mr. Sherman replied I guess I'd ask Tom.

Deputy City Solicitor Arnold replied if the Aldermen want to take that step we can certainly look at that. At the end, if you believe money is owed and they refuse to pay the only people that enforce a payment is the courts. Now, that obviously takes a number of judgments about whether we're likely to be successful and maybe in the end whether it's worth the effort or not, but if they refuse to pay and you think you're owed money the only people that can enforce it is court.

Alderman Lopez stated I would think that along with Finance and the City Solicitor's Office that they would work with Ginny and plan a course of action here that we have to get this money and if we have to get the signed contract and everything else we have to come to some meeting of the minds, we're pushing for time. So, if the City Solicitor can get that back to Tom Clark and work with Ginny and give us some guidance as to the direction that we should go, if you need some Aldermanic approval on something fine, but I think right now it's just in a working aspect unless she can't negotiate it.

Mr. Sherman stated I will tell you too that on that one item that actually about two-thirds down the page, the subrogation the \$204,673 on page 1, HCC has been very successful to get the cooperation of the homeowner whose policy we would be collecting under. This is a house fire, a rental property and one of our employees was burned and we paid for all of the medical costs. They have actually approached the homeowner and the homeowner says I'm a taxpayer, if you can come back after my home insurance policy I'll do whatever I can to help you in that regard. So, he has been very helpful in moving that one along, so we do still hold out some hope on that \$204,673, but I don't think that Anthem is willing to ante up on that one unless obviously they can collect.

Alderman Lopez asked are you or have you and I can't remember, but have you calculated the \$529,000 in any calculations for the existing budget or next year's budget?

Mr. Sherman replied in next year's budget the Mayor put in \$500,000 for collections and again on page 2 you'll see we're really only up through September of 2001, so by the time we move forward we can probably do another year's worth of claims that they can go back out and look at and certainly not on the City side but on the School side if we get School in here those dollars would all go back to the School Department. But, the Mayor has...the past couple of years we have been putting in \$2 million...we're not going to see \$2 million, the error ratio just isn't there unfortunately, but he has put in \$500,000.

Chairman Shea asked, Alderman Lopez, did you want to make a motion of some sort so that you would have that investigation to have HR talk to Finance and also to the City Solicitor or do you think...

Alderman Lopez replied I think the Chair can direct...

Mr. Sherman stated I don't think a motion is necessary, we understand and we are pursuing it.

Alderman Thibault stated looking at what you've given us here and looking at the company's error rate to take this to court would be stupid. They can claim that their below half a percent or roughly below a half a percent in error, why would we take them to court and why would we tie our legal department to take them to court on something that is so obvious here.

Mr. Sherman stated you're right. It's a very small error rate, but when you look at the amount...we paid out \$32 million...

Alderman Thibault asked what is it going to cost us to take them to court?

Mr. Sherman replied anything that goes to court...HCC only gets paid on what they've collected, so if we even have to pay a contingency fee to somebody to go out and collect that, it's still new money to us. We won't pay more to go to court than we're going to collect. To relieve some pressure off of the City Solicitor's Office, HCC has said they will handle all of that if the City chooses to.

Mr. Sherman stated you can probably receive and file the tabled item. We had kept it on the table in case there were some surplus revenues this year and we could let Highway have that, but they're not going to see any surplus revenues, I think we can probably receive and file that one at this point if you wanted to.

TABLED ITEM

7. Communication from Kevin Sheppard, Deputy Public Works Director, regarding the Johns Mansville Settlement Fund.
(Tabled 10/09/01)

On motion of Alderman Thibault, duly seconded by Alderman Smith, it was voted to remove the item from the table for discussion.

Alderman Smith stated this is my question when we gave the million dollars to the School Department for building maintenance and it was used for other sources, I've saw the recommendation from Kevin Sheppard that the \$38,000 settlement would like to go for various roofs and I would like to see the \$38,000 go back into the surplus fund because we're hurting for the budget 2003.

Mr. Sherman stated the problem that we run into is the City Charter only us to do a supplemental appropriation if we have surplus revenues and as I mentioned earlier we're probably going to be about \$700,000 short on revenues. So, unfortunately, this year we don't have surplus and that's why we kept this on the table since July in the case that we did have surplus and we could have freed these dollars up. Your best bet is you receive and file this, it goes away and if you want to put money in you put it into your CIP budget for next year then it is not a supplemental appropriation.

Alderman Smith stated this document that was signed by Kevin Sheppard on July 10, 2001, if it was going to go back into the revenue how come it didn't go in the year 2002?

Mr. Sherman replied it did go into 2002...that is what I'm saying. He came in in July and said I've got this check and I want to use it...at that point, you already had all your appropriations for 2002. So, the only way we could appropriate these funds was if they turned out to be surplus and because we have a shortfall in revenues, we don't have a surplus. So, these revenues will just flow the 2002 revenues and expenses and flow down to your fund balance and then if you want to appropriate more money to School you do it through your CIP to 2003 process.

Alderman Smith stated we couldn't move this surplus to 2002.

Mr. Sherman replied no, you just won't have a surplus for 2002. You can't appropriate it.

Alderman Smith stated I know that we could use almost any type of money, it seems that anything that comes up we can't use it.

Mr. Sherman stated again I think it's just that the factor of this year you're running a shortfall on your revenues and again rather than appropriate this specific \$38,000 that you can get to the same end by amending your CIP for next year and putting that \$38,000 in there if you choose to. It gets you there, but the Charter just doesn't allow us to do it in 2002.

On motion of Alderman Lopez, duly seconded by Alderman Smith, it was voted to receive and file the communication from Mr. Sheppard.

There being no further business to come before the Committee, on motion of Alderman Guinta, duly seconded by Alderman Lopez, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee